



COMMITTEE ON THE BUDGET

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SUMMARY

THE DEFICIT REDUCTION ACT OF 2005

December 19, 2005

- This conference report provides \$39.732 billion of savings over 5 years in the government's automatic-pilot mandatory spending programs. ("Mandatory spending" refers to programs that are not subject to the annual appropriations process.)
- These savings – pursuant to the budget resolution for fiscal year 2006 (H.Con.Res. 95), and adjusted following Hurricanes Katrina and Rita – have three principal goals:
 - To provide a down-payment toward hurricane recovery and reconstruction costs. Congress already has provided nearly \$65 billion in recovery funding, and more funding is expected in the near future.
 - To begin a longer-term effort at slowing the growth of entitlement spending, which now consumes about 54 percent of the total budget, and will rise to 62 percent in 10 years if no action is taken.
 - To stimulate reform of entitlement programs, many of which are outdated, inefficient, and excessively costly.
- Preliminary estimates of savings in this measure are as follows:

Deficit Reduction Act Savings by Major Category

(outlays in millions of dollars)

Category	Net Savings 2006-10
Agriculture Provisions	-2,709
Housing and Deposit Insurance Provisions	-520
Spectrum and Related Provisions	-7,383
Transportation Provisions	-156
Medicare	-6,400
Medicaid	-4,758
Human Resources and Other Provisions	-1,592
Education and Pension Benefit Provisions	-16,286
LIHEAP Provisions	625
Judiciary Related Provisions	-553
Total Savings	-39,732

Note: Savings are expressed in negative numbers to reflect their effect on the deficit.

^a Preliminary estimates.

Authorized by Jim Nussle, Budget Committee Chairman

PROVISIONS OF INTEREST

Agriculture:

- **Included:** Achieves savings from changes to commodity programs; conservation; energy; rural development; and agriculture research extension and education grants, including a timing shift on advance direct payments saving \$1.45 billion, and rescinding unspent money for several smaller USDA accounts.
- **Not Included:** Food stamps, across-the-board commodity savings, child nutrition.

Housing and Deposit Insurance Provisions:

- **Included:** Raises limits on deposit insurance for retirement accounts to \$250,000. Merges the Bank Insurance Fund with the Savings Association Insurance Fund. Subjects renovation of FHA general and special risk foreclosed properties to annual appropriations.
- **Not Included:** Both House and Senate had similar provisions.

Spectrum and Related Provisions:

- **Included:** Raises \$10 billion from auction of analog spectrum on January 28, 2008, and sets final date for analog broadcast on February 17, 2009. Set-top converter box subsidy program of \$1.5 billion; \$1 billion for interoperability grants for first responders, a national alert system, and other spending accounts.
- **Not Included:** Disaster spending.

Transportation Provisions:

- **Included:** Increases vessel tonnage fees to collect \$156 million over 5 years as in House-passed measure.
- **Not Included:** Delay to Alaska highway funds.

Medicare:

- **Included:** \$7.3 billion for physicians' update – the “doc fix” – (provides for a 0% update for calendar year 2006, instead of the current law - 4.4% reduction); reforms in hospital provisions; and purchase of durable medical equipment and oxygen equipment to produce net Medicare savings of \$6.4 billion.
- **Not Included:** Stabilization fund savings.

Medicaid:

- **Included:** Reforms affecting prescription drugs, transfer of assets to qualify for long-term care; State flexibility in cost-sharing and benefits; and other reforms. Includes spending in response to Hurricane Katrina of \$2.14 billion. Net Medicare savings of \$4.758 billion.
- **Not Included:** Increased manufacturer drug rebates.

Natural Resources and Other Provisions:

- **Included:** No savings reported from conference.
- **Not Included:** ANWR, mining provisions, DC land sales, oil shale, and outer continental shelf exploration.

Education and Pension Benefit Provisions:

- **Included:** Savings from reducing excess lender subsidies totaling \$22.4 billion; and an increase in PBGC premiums for \$3.6 billion in savings. Increased benefits to students include reduced fees and higher loan limits, totaling \$5.9 billion; and a new education grant program totaling \$3.7 billion for low-income, high-achieving students.
- **Not Included:** Various increases in lender fees; reduction in collection agency payments.

LIHEAP Provisions:

- **Included:** \$1 billion additional budget authority available in FY 2007; 25% allocated through the program formula and 75% through the contingency fund.

Judiciary Related Provisions:

- **Included:** Bankruptcy and civil case filing fee increases for \$553 million in savings.
- **Not Included:** Ninth Circuit realignment and visa fees.

Human Resources and Other Provisions:

- **Included:** TANF reauthorization at net cost of \$372 million over 5 years; additional \$1 billion for child care; SSI reforms, saving \$732 million; foster care reforms; elimination of state double dipping in child support enforcement and other changes in child support generating net savings of \$1.5 billion over 5 years; Byrd Amendment repeal (with 2-year grace period) to save \$300 million.
- **Not Included:** Reduction in federal match rates for child support enforcement.